

This digest covers the views of various authorities that are of general interest. It does not include any strictly confidential information nor specific advices from the sources.

BUSINESS CONDITIONS

Vol. 5 No. 8

AUGUST, 1932

	ALEXANDER HAMILTON INSTITUTE	BABSON STATISTICAL ORGANIZATION	BROOKMIRE ECONOMIC SERVICE	THOMAS GIBSON	SILBER
GENERAL OUTLOOK	As yet no real evidence of upturn; moderate betterment possible in fall (Aug. 20). Business should definitely improve by next spring (July 23).	Rapid improvement expected some time in next twelve months, with business back to normal in 1934 (Aug. 8). Sharp recovery possible (Aug. 22).	Reports for first half of August suggest continuation of adverse trend in business. Stage not yet set for general economic recovery (Aug. 22).	Next important development will be widespread rise in commodity prices, followed by major improvement in general trade conditions (Aug. 12).	Desp... ment g... tensified... ulate tr... 20).
MONEY AND CREDIT	Long drain on U. S. gold now at end; return flow of gold indicates that hysteria is over, and international money market will be gradually restored (Aug. 6).	Commercial paper rates averaged $2\frac{1}{4}\%$ in July, as against $2\frac{1}{2}\%$ in June; time money slightly lower; call money at 2% against $2\frac{1}{2}\%$ in June (Aug. 15).	Credit facilities have for some time been ample, but bona-fide demand still scarce. Easy money will not force business recovery (Aug. 8).	Record supply of credit at low rates being increasingly utilized (Aug. 12). Restoration of confidence will release potential credit supply of billions (Aug. 19).	Before... prove, ... debtedn... reorgan... of 1932
SECURITY MARKETS	Bear market has run its course. At low points of early summer, bulk of sound securities undervalued (Aug. 4). Recent recovery suggests strong sponsorship (Aug. 18).	Bear market is over; securities as greatly undervalued in 1932 as overvalued in 1929; lows established in July marked turning point (Aug. 22).	Maintenance of stock prices around present higher levels dependent on early improvement in general conditions; such improvement has not yet appeared (Aug. 22).	We are in early stages of broad recovery in security prices (Aug. 12). Steady rise in bonds most significant development in security markets (Aug. 19).	Stock... utilities... progress... market... 20).
PRODUCTION	Automobile output declining rapidly since end of June; steel mills operating at 14% of capacity as against 16% in July, and 32% year ago (Aug. 20).	Signs point to upturn in industrial operations this fall; steel industry showing signs of life; shoe, textile, hat, radiator, stove industries active (Aug. 22).	In fall, consumers' goods such as textiles may recover materially; outlook for such heavy industries as steel and automobiles remains dubious (Aug. 22).	Industrial output has reached such subnormal depths that extremely sharp recovery is indicated; recovery will be quite general (Aug. 19).	Steel... three or... ever kno... automob... 20).
DISTRIBUTION	Department store sales receded further in July to new depression low; adjusted index 39.5% below September, 1929, peak, and 30% below year ago (Aug. 20).	Wholesale trade seems to have passed its low mark; some gain evident (Aug. 15). Outlook for expanding retail sales and more stable retail prices (Aug. 22).	Carloadings show slight improvement in relation to same week of last year; in last week reported, they were 33.5% below year ago (Aug. 1).	When general trade recovers, railroad traffic will also recover (Aug. 12). First important traffic gains may originate in farming areas (Aug. 19).	In re... have fa... seasonal... be critic... 20).
BUILDING	In July, building gained over June; non-residential contracts rose, residential declined; some improvement in residential group likely (Aug. 13).	July total building turned encouragingly upward; residential building weakest group, but drastic deflation in this field is nearing completion (Aug. 15).	Building handicapped by excessive taxes. Building industry shows lack of readjustment in surplus office, store, factory, apartment space (Aug. 22).	A creeping upward movement in new construction contracts is reflected in figures for July, but further substantial advance is needed (Aug. 12).	July... but resie... decline... delay ra... (Aug. 22).
AGRICULTURE	Growing conditions in July generally unfavorable; only 9 of 21 principal crops now promise to be larger than 1931 yields (Aug. 20).	Latest crop report, which indicates lower harvests of corn, spring wheat, barley, rye, flaxseed than expected month ago, is bullish factor (Aug. 22).	Supplies of corn, wheat, cotton, and wool very heavy this season. Abundant feed gives promise of plentiful supplies of meat and dairy products (Aug. 22).	Higher prices for leading commodities, including cotton, wheat, and corn, are forecast (Aug. 19).	Much... mainly f... similar... 1923, 1... were m...
COMMODITY PRICES	Movement of commodity prices continues to provide encouraging outlook; price spread between raw materials and finished goods being eliminated (Aug. 6).	Bear market in commodities is over; upswing in commodities started a few weeks ago, hogs and livestock leading; commodities will go higher (Aug. 22).	Since rally in commodities has been accompanied by acceleration of Government's recovery campaign by "sunshine" talk, its significance open to question (Aug. 22).	Commodity prices, after number of weeks of relative stability, now show signs of inaugurating a broad advance (Aug. 12).	Norm... never b... prices a... form w... 20).
FOREIGN TRADE AND CONDITIONS	Abandonment of gold standard did not end depression in Great Britain; so long as high tariffs remain, England will suffer from lack of markets (Aug. 13).	Foreign situation, both politically and financially, rapidly improving; Lausanne Conference definitely marked a turning point (July 25).	Our tariff will indirectly hurt our exports, now declining; British preferences on copper, wheat, etc., will contribute to loss of our export markets (Aug. 22).	Redistribution of part of our redundant gold supply was economic benefice; even at peak of movement, we had billion dollar excess of legal requirements (July 29).	Existe... directly... omic lif... doctrine... 30).
LABOR AND WAGES	Unemployment at new high level for depression despite seasonal increase in farm work. According to A. F. of L., 11,623,000 now unemployed (Aug. 20).	Improvement in industrial payrolls expected in early fall. In July, employment in N. Y. State factories fell off 5.3%, payrolls 7.1% (Aug. 22).	Many newspaper reports of employment gains have been regarding re-employment of labor after vacation shut-downs of plants—of no real significance (Aug. 8).	From all over country reports are being received that men are being put back to work in various lines of industry (July 22).	July... mated... 1929, v... ates su... depressi...

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	ALEXANDER HAMILTON INSTITUTE	BABSON STATISTICAL ORGANIZATION	BROOKMIRE ECONOMIC SERVICE	THOMAS GIBSON	SILBERMAN
GENERAL OUTLOOK	As yet no real evidence of upturn; moderate betterment possible in fall (Aug. 20). Business should definitely improve by next spring (July 23).	Rapid improvement expected some time in next twelve months, with business back to normal in 1934 (Aug. 8). Sharp recovery possible (Aug. 22).	Reports for first half of August suggest continuation of adverse trend in business. Stage not yet set for general economic recovery (Aug. 22).	Next important development will be widespread rise in commodity prices, followed by major improvement in general trade conditions (Aug. 12).	Despite recent general intensification of trade conditions (Aug. 20).
MONEY AND CREDIT	Long drain on U. S. gold now at end; return flow of gold indicates that hysteria is over, and international money market will be gradually restored (Aug. 6).	Commercial paper rates averaged $2\frac{1}{4}\%$ in July, as against $2\frac{1}{2}\%$ in June; time money slightly lower; call money at 2% against $2\frac{1}{2}\%$ in June (Aug. 15).	Credit facilities have for some time been ample, but bona-fide demand still scarce. Easy money will not force business recovery (Aug. 8).	Record supply of credit at low rates being increasingly utilized (Aug. 12). Restoration of confidence will release potential credit supply of billions (Aug. 19).	Before the end of the year, the debt-ridden reorganization of 1932 will be completed.
SECURITY MARKETS	Bear market has run its course. At low points of early summer, bulk of sound securities undervalued (Aug. 4). Recent recovery suggests strong sponsorship (Aug. 18).	Bear market is over; securities as greatly undervalued in 1932 as overvalued in 1929; lows established in July marked turning point (Aug. 22).	Maintenance of stock prices around present higher levels dependent on early improvement in general conditions; such improvement has not yet appeared (Aug. 22).	We are in early stages of broad recovery in security prices (Aug. 12). Steady rise in bonds most significant development in security markets (Aug. 19).	Stock market has been in a state of stagnation since the end of 1931.
PRODUCTION	Automobile output declining rapidly since end of June; steel mills operating at 14% of capacity as against 16% in July, and 32% year ago (Aug. 20).	Signs point to upturn in industrial operations this fall; steel industry showing signs of life; shoe, textile, hat, radiator, stove industries active (Aug. 22).	In fall, consumers' goods such as textiles may recover materially; outlook for such heavy industries as steel and automobiles remains dubious (Aug. 22).	Industrial output has reached such subnormal depths that extremely sharp recovery is indicated; recovery will be quite general (Aug. 19).	Steel production has been at a low level since the end of 1931.
DISTRIBUTION	Department store sales receded further in July to new depression low; adjusted index 39.5% below September, 1929, peak, and 30% below year ago (Aug. 20).	Wholesale trade seems to have passed its low mark; some gain evident (Aug. 15). Outlook for expanding retail sales and more stable retail prices (Aug. 22).	Carloadings show slight improvement in relation to same week of last year; in last week reported, they were 33.5% below year ago (Aug. 1).	When general trade recovers, railroad traffic will also recover (Aug. 12). First important traffic gains may originate in farming areas (Aug. 19).	In recent months, the seasonal decline in business has been critical.
BUILDING	In July, building gained over June; non-residential contracts rose, residential declined; some improvement in residential group likely (Aug. 13).	July total building turned encouragingly upward; residential building weakest group, but drastic deflation in this field is nearing completion (Aug. 15).	Building handicapped by excessive taxes. Building industry shows lack of readjustment in surplus office, store, factory, apartment space (Aug. 22).	A creeping upward movement in new construction contracts is reflected in figures for July, but further substantial advance is needed (Aug. 12).	July residential building has declined, but the delay in the start of the new year is likely to be a factor.
AGRICULTURE	Growing conditions in July generally unfavorable; only 9 of 21 principal crops now promise to be larger than 1931 yields (Aug. 20).	Latest crop report, which indicates lower harvests of corn, spring wheat, barley, rye, flaxseed than expected month ago, is bullish factor (Aug. 22).	Supplies of corn, wheat, cotton, and wool very heavy this season. Abundant feed gives promise of plentiful supplies of meat and dairy products (Aug. 22).	Higher prices for leading commodities, including cotton, wheat, and corn, are forecast (Aug. 19).	Much of the agricultural production of 1932, especially in the case of cotton, is expected to be similar to that of 1931.
COMMODITY PRICES	Movement of commodity prices continues to provide encouraging outlook; price spread between raw materials and finished goods being eliminated (Aug. 6).	Bear market in commodities is over; upswing in commodities started a few weeks ago, hogs and livestock leading; commodities will go higher (Aug. 22).	Since rally in commodities has been accompanied by acceleration of Government's recovery campaign by "sunshine" talk, its significance open to question (Aug. 22).	Commodity prices, after number of weeks of relative stability, now show signs of inaugurating a broad advance (Aug. 12).	Normal prices for commodities have never been so low as at present.
FOREIGN TRADE AND CONDITIONS	Abandonment of gold standard did not end depression in Great Britain; so long as high tariffs remain, England will suffer from lack of markets (Aug. 13).	Foreign situation, both politically and financially, rapidly improving; Lausanne Conference definitely marked a turning point (July 25).	Our tariff will indirectly hurt our exports, now declining; British preferences on copper, wheat, etc., will contribute to loss of our export markets (Aug. 22).	Redistribution of part of our redundant gold supply was economic benefice; even at peak of movement, we had billion dollar excess of legal requirements (July 29).	Existing conditions in the world are directly contrary to the doctrine of free trade.
LABOR AND WAGES	Unemployment at new high level for depression despite seasonal increase in farm work. According to A. F. of L., 11,623,000 now unemployed (Aug. 20).	Improvement in industrial payrolls expected in early fall. In July, employment in N. Y. State factories fell off 5.3%, payrolls 7.1% (Aug. 22).	Many newspaper reports of employment gains have been regarding re-employment of labor after vacation shut-downs of plants—of no real significance (Aug. 8).	From all over country reports are being received that men are being put back to work in various lines of industry (July 22).	July unemployment has been a record since 1929. Unemployment is a direct result of the depression.

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1932

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SILBERLING RESEARCH CORPORATION	CLEVELAND TRUST COMPANY	GUARANTY TRUST COMPANY	NATIONAL CITY BANK
<p>Despite manufactured better sentiment general depression sharply intensified; government efforts to stimulate trade will be ineffective (Aug. 20).</p>	<p>Governmental stimulants to business ineffectual. Business needs removal of such barriers as tariffs, war debts, fear of integrity of dollar (Aug. 15).</p>	<p>Recent developments have strengthened belief that low point of depression approximately reached; improvement may begin in not distant future (July 25).</p>	<p>Evident that accumulated demand for articles of every day use beginning to reach back to factories. Paralysis in business has relaxed somewhat (Aug.).</p>
<p>Before financial situation can improve, portion of general fixed indebtedness must be sacrificed through reorganization; likely to occur end of 1932 and early 1933 (Aug. 20).</p>	<p>Glass amendment, permitting issuance of currency backed by Federal bonds outstanding in huge amounts, step backward in currency legislation (Aug. 15).</p>	<p>New banking difficulties arose in Chicago district early in July, with a number of bank failures; situation promptly met and overcome (July 25).</p>	<p>Banking situation improved in latter part of July, as shown by fewer failures and check to rise of currency in circulation (Aug.).</p>
<p>Stock market, except rails, some utilities, and specialties, made no progress this week; flight of bond market continued unabated (Aug. 20).</p>	<p>Bonds have steadily strengthened. Rail stock averages rose over 65% in July; other stock averages advanced almost as much (Aug. 15).</p>	<p>Securities market in July presented most encouraging picture in months; bond market firm throughout, with foreigners especially strong (July 25).</p>	<p>Vigorous and sustained advance in stocks; bond market has improved in all divisions; heartening revival of new corporate financing (Aug.).</p>
<p>Steel industry still faces another three or four months of worst period ever known; fall and winter will test automobile industry severely (Aug. 20).</p>	<p>Collapse of our export trade—due to adoption of tariff barriers by nearly all nations of world—is sorely felt by our manufacturers (Aug. 15).</p>	<p>Much in current situation to uphold belief that automobile industry may again be among first of major industries to register upturn (July 25).</p>	<p>Revival more conspicuous in woolen goods industry than in any other; business in silk goods has picked up; improvement in oil industry (Aug.).</p>
<p>In recent weeks, railway loadings have failed utterly to show usual seasonal expansion; turn of year will be critical period for railroads (Aug. 20).</p>	<p>Time has now come when Government must adopt sweeping measures to alleviate financial plight of railroads as prerequisite to business recovery (Aug. 15).</p>	<p>There have been further recessions in railway freight carloadings (July 25).</p>	<p>Showing of general business indicators such as carloadings, volume of checks cashed, output of chief heavy industries is not favorable (Aug.).</p>
<p>July total contracts rose slightly, but residential group continued sharp decline. Home Loan Bank plan will delay rather than encourage building (Aug. 20).</p>	<p>Government expenditures to hasten public building, etc., in order to stimulate business will in long run prove harmful because of increased debt burden (Aug. 15).</p>	<p>Restoration of confidence sufficient to permit successful long-term financing of real estate projects is likely to require some time (July 25).</p>	<p>July building awards showed contra-seasonal increase over June; rise confined to public works and utilities, and non-residential building (Aug.).</p>
<p>Much advertised rise in hog prices mainly seasonal and no greater than similar temporary spurts in 1929, 1923, 1921, after which new lows were made (Aug. 13).</p>	<p>The great decline in our export trade is being sorely felt by our cotton growers and our grain growers (Aug. 15).</p>	<p>Total crops this year to be 1 or 2% above last year but 1% below 1929 and 1930; supply of cotton will be considerably larger than year ago (July 25).</p>	<p>Sharp rise in livestock prices encouraging. Abundant supply of most farm products to be expected; wheat relatively the shortest (Aug.).</p>
<p>Normal replacement demand can never become effective until retail prices are further adjusted to conform with decline in payrolls (Aug. 20).</p>	<p>Wholesale prices advancing. Previous post-war declines checked at levels not far different from those now reached (Aug. 15).</p>	<p>Marked strengthening in commodity markets, with higher quotations for livestock, hides, cotton, silk, sugar, corn, coffee, rubber, tin (July 25).</p>	<p>Prices of farm products have risen in encouraging manner. Five general indexes of wholesale prices have advanced (Aug.).</p>
<p>Existence of war debts ties us directly and inescapably with economic life of world. Isolation is false doctrine divorced from reality (July 30).</p>	<p>Accord reached at Lausanne has brought problems of international war debts and reparations long step nearer to solution (Aug. 15).</p>	<p>It is hoped that military dictatorship in Germany will mark beginning of more orderly situation than has existed in last few months (July 25).</p>	<p>Conversion of British war loan from 5% to 3½% obligation stupendous undertaking and brought remarkable response; will effect large saving (Aug.).</p>
<p>July industrial employment estimated 40%, payrolls 60% below 1929. While work spreading alleviates suffering, it does not remove depression (Aug. 20).</p>	<p>Projects to stimulate business through huge public expenditures usually only temporarily helpful in providing increased employment (Aug. 15).</p>	<p>Federal unemployment relief bill provides for addition of \$1,800,000,000 to capital of R. F. C. and \$322,000,000 for construction of public works (July 25).</p>	<p>Abnormal rise in wages of 1914-1929 part of inflation of time and contributed to depression; lower wage rates now would increase employment (Aug.).</p>